

# Bizmetrics

## Measures that Matter

By Steve Major

Measures that matter help people stand back and put themselves in the customer's shoes. It allows them to view the businesses service from the customer's perspective. By itself a measure does not work. The measure needs to be an integral part of the culture of a business that is striving to deliver more value to a customer. Through the right measure used in the right way there will be an increased sensitivity to customer / client issues.

How is possible? Many businesses have a large number of items that they measure. These measures can be very detailed, complex and numerous. But what happens then? How focuses on these measures? Does everybody (from the most senior management to the most junior team member) in the business know the most important measures? How can we change the focus?

A measure that matters, measures that which the customers value. To illustrate this I take an example from Continental Airlines when Gordon Bethune was in control The No 1 measure they chose was – on time arrivals. This number is measured by the US Dept of Transport. The aim was to be No 1 or No 2 in the United States. The entire

business became focused on this measure. A bonus was paid to everybody if the goal was achieved. On time arrival was very important to the customers and the measure was easily understood by everybody in the business. This measure changes the focus from an inward cost orientation to creating customer value.

The first important step is to determine what the customers find valuable about your service. It is not necessarily the core service but the little things that surround the provision of your product or service.

In one survey in the United States of business clients that utilize a corporate lawyer the most important items was whether the lawyer returned a phone call quickly. The first priority was not the quality of the advice or any other technical aspect. The technical elements were important but there is a large number of competent lawyers but not so many that the take the time to return phone calls quickly.

Once it has been truly determined what the customers / client values then it is necessary to have a simple, clear measure of this. The profit and loss statement is not an appropriate measure. These statements just measure history. The measure needs to

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predict what is going to happen to the profit and loss statement.

To use the Continental Airline example again. If the on-time arrivals improve and stay consistent then more people will fly with this company and they will tell more people about the experience. This means increased revenue and increased profit.

There are a number of businesses on the local scene or on a worldwide basis that have been able to develop measures that matter. One business that has had numerous books and articles and I will quote it again is Fedex. Federal Express used to have a customer service standard called the "95% rule". This rule was that 95% of the parcels were to be delivered on time to the correct place. It became tradition until they realized that if they ship 1 million packages a day and they mess up 5% it means that 50,000 packages a day. This means 100,000 people (i.e. the person receiving and person sending) are affected. So they created what is now the Fedex Service Quality Index (SQI). They looked at all the things that could go wrong and negatively affect customers. They then weighted each of these according to the degree of aggravation caused. Then each day it is calculated how many of these horrors happen to come up with the daily

SQI. You could equate the SQI to the "All Ord" on the stock market. It provided one measure to sum up how well a company delivers on its promise. Everybody in Fedex knows the SQI and its impact. This measure provides a direct connection to the customers. With the advent of this measure the delivery performance went from 95% to 99.7% without adding significant margin costs.

The correct measure with an attitude within the business to identify how to improve each of those items within the hierarchy of horrors has enabled the business to achieve levels that previously were thought impossible.

These examples are of large businesses but the same applies to smaller business. The hierarchy of horrors approach has worked in dental practices, financial planning practice and accounting practices.

The third element of the measure is that everybody in the business needs to know and understand the measure. It needs to be shouted from the rooftops on a regular basis. Also there needs to be reward and recognition when the goal of the measure is achieved. Celebrate the success and reward the team when the success is obtained.

So what are you measuring? Is it what the customer's value?

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